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# The impact of the consumers' social and environmental awareness on luxury brands' valuations

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## Abstract

The present dissertation studies the impact of luxury brands' ethical positioning on consumers' brand valuations for purchase intention, perceived aesthetics and consumers' perceived ethicality. Moreover, it provides insights into the moderating role of consumers social and environmental awareness on the relationship between luxury brands' ethical positioning and consumers' brand valuations. An experimental study was conducted to investigate different levels of ethical luxury positioning (ethical luxury brand vs. mainstream luxury brand) and analyze what are consumers' valuations. Results show that consumers brand valuations are higher for ethical luxury brands, suggesting that they are more likely to purchase those brands, perceive them as more aesthetically appealing and with a higher ethicality perception. Further, consumers' ethicality perceptions about a brand show to mediate the relationship between the luxury brand type and brands' valuations. Overall, this study provides empirical evidence that not only luxury and sustainability are not opposite concepts, but they are actually strong allies in the eyes of the consumer.

## Resumo

A presente dissertação analisa o impacto que a ética das marcas de luxo tem nas avaliações da marca por parte dos consumidores, no que diz respeito a intenção de compra, percepção da estética do leque de produtos e percepção da ética da marca. Adicionalmente, fornece informação sobre o impacto que o conhecimento dos consumidores em relação a assuntos ambientais e sociais tem na ligação entre o nível de posicionamento ético das marcas de luxo e as avaliações dos consumidores sobre as mesmas. Um estudo experimental foi desenvolvido com o intuito de analisar qual a preferência do consumidor relativamente aos diferentes níveis de posicionamentos de marcas na área da ética (marca de luxo ética vs. marca de luxo comum). Os resultados mostram que os consumidores avaliam mais positivamente as marcas com posicionamento ético, sugerindo que há uma maior intenção de compra e percepção mais positiva quanto à estética e ética da marca. A dissertação mostra ainda o efeito mediador que a percepção do consumidor sobre a ética das marcas de luxo tem na relação entre o tipo de marca de luxo e as avaliações do consumidor quanto à marca. Concluindo, o presente estudo fornece provas empíricas de que não só os conceitos de luxo e sustentabilidade não são opostos, como são fortes aliados aos olhos do consumidor.

**Keywords:** Sustainability, Consumer Perceived Ethicality, Social and Environmental awareness, luxury

## Acknowledgments

As I grow older, I feel more and more the responsibility to change my habits in order to reduce my impact on our world. I feel that I need to do that for my clean conscience, but also to give an example of a generation that can be too focused in the traps of social media and technological advancements and sometimes forgets how beautiful the reality is.

Therefore, the theme of this dissertation has a higher personal interest for me and added knowledge that I will use for life.

I want to express my gratitude for my supervisor Prof. Vera Herédia Colaço for her support throughout the dissertation process. It was clear since the beginning her passion for areas of sustainability, fashion and luxury, which was contagious and motivated me in the process. Thank you for your patience and for helping me to find the right path!

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# 1. Introduction

## 1.1. Problem Definition and Relevance

According to the McKinsey Global Fashion Index forecasts (2018), fashion industry sales grew to nearly triple between 2016 and 2018. In 2018, one of the main trends in the industry is to focus on sustainability, ethicality and transparency as a valuable part of the business model. Indeed, companies have already started the shift with 42 out of 100 fashion brands in 2017 disclosing information regarding the suppliers for their goods. (Business of Fashion & McKinsey&Company, 2018). This change of behavior seems to be boosted by the change in the purchase decision of those fashion consumers who are increasingly more aware the ethical principles (e.g., human rights violations in apparel manufacturing) (Chen, 2006).

Amongst the most profitable segments of the fashion industry is the luxury market, which grew by 5% to an estimated €1.2 trillion globally in 2017. Bain & Company (2017) estimates that growth will continue at a 4%–5% compound annual rate over the next three years (at constant exchange rates), with the market for personal luxury goods reaching €295–€305 billion by 2020 (D'Arpizio, Levato, Kamel & Montgolfier, 2017). It is known that a generational shift is on the basis of the growth of the luxury market, with 85% of luxury growth in 2017 fueled by Generations Y and Z. The so-called “millennial state of mind” is influencing the luxury sector and influencing the purchasing habits of all generations (Bain & Company, 2017). This shift in mindset is pushing luxury brands to redefine what they deliver to customers, and how they deliver it. From the luxury brands' point of view, the importance of an ethical business model has to become a priority, since the luxury sector is extremely sensitive to reputational damage. According to François-Henri Pinault, Chair and CEO of the Pinault-Printemps-la Redoute group, “the luxury business does not escape the logic that human beings and the planet should be protected together”. In fact, it should play an important part in achieving that goal, as suggested by Janssen, et al. (2013). However, consumers are often exposed to ethical scandals concerning luxury brands, as for example, the problem of “blood diamonds”. These episodes result in reputational issues and negative perception about brands behavior by the consumers, also called Consumer Perceived Ethicality - CPE (Brunk & Bluemelhuber, 2010).

The aforementioned arguments raise the question how the information concerning the ethical/unethical behavior of luxury brands influence consumers' attitudes and valuations toward a brand and consequently its purchase intention, in a world where consumers are increasingly more aware of the importance of sustainable or ethical consumption (Chen, 2006). Firms already recognize that an ethical corporate behavior is important, but is it that change affecting the consumers? Will it translate in different purchase decisions? (Creyer, 1997). Additionally, we live in a world where product aesthetics and appearance influence the consumers' decision-making process when consuming goods, especially, luxury goods (Veryzer, 1993). However, studies examining the impact of ethicality on perceived aesthetics are still deficient, representing an opportunity for further research.

Therefore, the main goal of the present dissertation is to investigate the influence of the ethical positioning of a brand and the social and environmental awareness of the consumer on Consumer Perceived Ethicality, Purchase Intention and Perceived Aesthetics for luxury brands. Additionally, it examines how consumers' ethical perceptions of luxury brands have an impact on the consumption of luxury goods, suggesting the luxury sector to comply with more ethical behaviors.

## 1.2. Research Objective and Questions

The transition to an integral ethical value chain of luxury brands has already taken place but this sector still has a long and hard road to take in order to improve costumers perceived ethicality in an era where consumers make their consumptions choices based also on values compatibility with the companies (Hume, 2010). Therefore, there is a fundamental interest in the present study to develop an empirical analysis that allows investigating the changes on consumers' perceptions and valuations about a brand, as well as the moderating role of consumers level of awareness regarding social and environmental issues. Thus, the following research questions will be analyzed:

*RQ1: Do consumers perceive the concept of luxury compatible with ethical behaviors?*

One may perceive that luxury and ethicality are opposite concepts. Indeed, there are a set of characteristics and behaviors of luxury brands that gives the perception of a sector that does not integrate ethical activities in the value chain. Luxury brands tend to be discrete in their communication, not disclosing company reports to maintain the dream image in the consumers' minds, therefore not communicating the value chain process, even, if it would increase the ethical image of the brand (Kapferer, 2017). However, Kapferer (2017) states that luxury companies are unlikely to engage in unethical practices such as unfair labor conditions or environmental damage since its genesis is composed by high quality goods, craftsmanship and family environment in the workplace.

In the present dissertation, an additional research will be undertaken regarding the compatibility of luxury and ethicality in the view of the consumer, or in other words, the consumer perceived ethicality concerning luxury brands.

*RQ2: To what extent increasing consumers' awareness regarding social and environmental issues is a positive drive in the creation of a more ethical business model for luxury brands?*

The literature examining the influence of consumers' awareness about the social and environmental footprint of luxury brands is still deficient. Therefore, one of the objectives of this research is also to analyze how luxury brands are being evaluated and influenced by the information or knowledge consumers possess regarding the ethical positioning of brands. The main goal is to test how consumers are reacting to the (un)ethical behaviors of luxury brands and subsequently, their intentions to purchase luxury goods.

*RQ3: Are consumers' ethicality perceptions of luxury brands influencing their brand valuations?*

In order to investigate the impact of consumers' ethicality perceptions on luxury consumption, it is relevant to define the expectations that they have towards luxury brands. Therefore, this research will analyze if consumers' perceived ethicality (CPE) of luxury brands has a differential impact depending on the type of positioning of the luxury brand. Additionally, it



aims at analysing this impact on brand valuations, namely: consumer ethicality perceptions, purchase intention and consumer perceived aesthetics.

### 1.3. Research Structure

The purpose of this research is to develop an extensive understanding of how the social and environmental awareness of consumers can impact the consumer perceived ethicality, their purchase intention and perceived aesthetics. The research structure is designed in order to comply with this goal, starting by the theoretical foundation on sustainability, the main characteristics of the luxury sector, ethical brand positioning and CSR, consumer perceived ethicality, consumer expertise and consumer perceived aesthetics. Based on the academic literature review, the methodological framework including a set of hypotheses will be presented and tested in an experimental research study. After the data analysis, a set of results will be described in the conclusions, alongside with the limitations, practical implications and suggestions for future research.

## 2. Academic Literature Review

### 2.1. Sustainability and fashion

According to the World Commission on Environment and Development (1987, p.16), sustainability is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their needs”. The concept of sustainability comprises the Triple Bottom Line, which consists of social, environmental and economic performance aspects. First, human or social wellbeing includes personal basic needs and a balanced society. Environmental wellbeing incorporates issues such as climate, energy and natural resources. Lastly, economic wellbeing is related to financial and economical subjects (Shen, 2014).

However, we are assisting to a threat to the good balance of the triple bottom line by the textile industry. As suggested by Chen (2006), global textile consumption is estimated to more than 30 million tons a year, which causes serious social and environmental impact. Such impact should be minimized by the fashion companies by building a sustainable business, which covers all aspects of Triple Bottom Line (Shen, 2014). In order to fulfil the goal of a sustainable production, companies can engage in the so-called ethical fashion, defined by Joergens (2006) as fashionable clothes that incorporate fair trade principles with respect to the labor conditions and the environment, as for example biodegradable and organic cotton. Alternatively, Faisal (2010) suggests that ethicality in fashion can enhance brand image and reach targets of ethical consumers (Shen, 2014). Young consumers, in particular, have different ethical perspectives than other age groups and their purchasing decisions are influenced by brand image and values compatibility with the brand (Joergens, 2006). As a result, to gain competitive advantage in the market it is crucial for firms to become sustainable (Yang, Lin, Chan, Sheu, 2010). At the same time, on the side of the consumer, awareness regarding sustainable consumption is key given that the responsibility of developing sustainable practices is upon all stakeholders including industry, government and customers (Hume, 2010).

## 2.2. The Luxury industry

Luxury is an abstract notion that has changed during the course of history (Kapferer & Bastien, 2009). One possible characterization is provided by Kapferer (2010) defining luxury as a social marker, based on status, which leads consumers to pay an amount for a good beyond its functional value. Those goods are normally very well crafted and aesthetically appealing, that incentivize hedonistic consumption, normally in exclusive stores that deliver personal service and unique consumer experience. Furthermore, luxury is a concept linked with well established brands that hold history and heritage and provide a rare feeling of exclusivity to their consumers (Kapferer, 2010). This raises the question of whether the heritage of the brands can be a compatible characteristic with an everyday changing world and changing demands by the customers in terms of sustainable brand behavior.

Considering the negative environmental impacts produced by textile consumption, several researchers have called for the importance in motivating consumers and brands to engage in sustainable behaviors (Griskevicius, Vladas, Tybur, Van der Berg, 2010; Chen, 2006, Shen, 2014). Furthermore, it is suggesting that engaging in such behaviors can build a positive social reputation (Semmann, Krambeck, & Milinski, 2005; Wedekind & Braithwaite, 2002). Knowing that luxury is one of the most sensitive sectors to reputational damage and consumers are increasingly aware of environmental and social issues and prefer ethical products that reflect their own values and beliefs, the concept of sustainability/ethicality has to become a priority for luxury brands (Hennigs, Wiedmann, Klarmann and Behrens, 2013). The shift in ethical brand behaviors is currently taking place in the domain of luxury. According to Kapferer (2010), the concept of luxury that is based on high quality is a perfect basis for the design of a value chain that preserves social and environmental values. Moreover, the combination of the current challenges such as counterfeiting, fast fashion, the democratization of luxury and the increasing awareness of the consumers, create an obligation for the luxury brands to introduce sustainable practices in their business models (Hennigs, Wiedmann, Klarmann and Behrens, 2013). In that sense, we can already see some interesting initiatives regarding sustainability in the luxury world. As an example, Gucci Group, Tiffany & Co, Mulberry Group, Cartier and Burberry Ltd and LVMH Moët Hennessy – Louis Vuitton are all founding members of the Sustainable Luxury Working Group. More recently, the famous French luxury brand, Chanel,

decided to follow the example of other luxury brands such as Giorgio Armani and Gucci and stop using exotic animal skins such as snakes, lizards or crocodiles, on their productions.

### 2.3. Ethical Brand Positioning and CSR

Lee (1981) state that conflicts emerge when there is a discrepancy between the buyers and sellers' ethical mindsets (Sagar, Singh & Agrawal, 2006). Given that consumers form beliefs based on external information (Creyer, 1997), defining and managing information about the brand has become one of the major challenges of today's marketers (Sayin & Gürhan-Canli, 2015). Recent studies suggest that there is a positive relationship between a company's CSR actions, conceptualized as "the managerial obligation to take action to protect and improve both the welfare of society as a whole and the interest of organizations" (Davis and Blomstrom 1975, p. 6), and consumers' attitudes toward that company (Sen, Sankar & Bhattacharya, 2001). Brown and Dacin (1997) argue that company's CSR efforts result in consumers' evaluations about the brand instead of contributing for the perception regarding attributes and quality of the products. Additionally, positive information can create favorable brand valuations on the consumers, but controversies and scandals about a brand can affect the company overall performance. The so-called negativity bias, proposed by Larsen, Smith & Cacioppo (1998) and Cacioppo & Berntson (1994) show how the impact on brand valuations of negative information is greater when compared with the positive information (Cacioppo, Gardner & Berntson, 1997), therefore, marketing managers should focus on integrating ethical concerns in their business (Sagar, Singh & Agrawal, 2006).

Moreover, external information such as media and public opinion can influence consumers' brand valuation and can result in negative perceptions about a brand (Huber et al., 2009). This is true both for mass marketing and for luxury, although from the luxury brands point of view, the importance of an ethical business model has to become a priority, since the luxury industry is extremely sensitive to reputational damage. Some consumers are exposed by the media to ethical scandals concerning luxury brands, which can result in reputational issues and negative perception about brands behaviors. (Brunk & Bluemelhuber, 2010).

This leads to a pertinent issue raised in the present dissertation about the impact of ethical brand positioning on consumer valuations for a given brand and the influence that external information and actions taken by the brand have on that impact.

#### 2.4. Consumer perceived ethicality

According to Fan (2005), an ethical brand promotes social wellbeing by engaging in behavior that shows honesty, integrity, responsibility, quality, transparency and respect.

The perception of the consumer regarding such behaviors is called consumer perceived ethicality (CPE), defined by Brunk (2010) as the perception of the brand as being honest, responsible, and accountable toward various stakeholders. This perception is formed upon direct touchpoints with the brand and indirect interactions between the consumer and other stakeholder groups, such as the brand employees and public opinion (Singh, Iglesias & Batista-Foguet, 2012). The touch points where consumer perceptions are formed are countless. Rust et al. (2000) offer five dimensions of customer perception of a brand's ethics: Community events, private policy, environmental record, hiring practices, and guarantees (Brunk, 2010). Brunk (2010) further researches' in this field defines six domains of CPE origins: (1) consumers (e.g pricing, targeting); (2) employees (e.g benefits, working hours, motivation); (3) the environment (e.g pollution, recycling, animal protection); (4) the overseas community (e.g violation of basic human rights, exploitation of natural resources); (5) the local economy and community and, (6) the business community (e.g fair trade, corruption, reporting practices).

Additionally, Brunk (2010) suggests that consumers' ethical beliefs can be sources of corporate reputation. Thus, the luxury brands scandals that consumers are sometimes exposed to can result in reputational issues and negative perception of brands behavior (Brunk & Bluemelhuber, 2010). This raises the question regarding the impact of such corporate behavior in the consumer responses.

Creyer (1997), suggests that there is a direct impact between firm's actions and consumers' willingness to pay and purchase intention. The author states that consumers can show the approval or disapproval of a firm's actions by paying less or more for the firms' products, such as consumers are willing to pay less when a firm engage in unethical behavior, and high when engaging in ethical behavior. (Creyer, 1997). These studies suggest that consumer reward

ethical behavior by showing more likelihood to purchase, thus, firms should engage in ethical behavior since it brings future benefits. Since reputational issues are so important in the luxury sector, managing consumers' immoral or unethical evaluations regarding brands are extremely important. While many companies tend to consider product quality as the primary drivers of reputation, especially in luxury brands, various cases illustrate how unethical behavior can generate negative reputation despite the actual quality of the goods (Brunk, 2010). Therefore, research regarding CPE in luxury brands seem extremely relevant and will be a focus throughout the present dissertation.

## 2.5. Social and Environmental Awareness

Alba and Hutchinson (1987) propose that consumer knowledge has two major components: familiarity and expertise. Familiarity is defined as the number of product-related experiences that have been accumulated by the consumer and expertise is defined as the ability to perform product-related tasks successfully, that include advertising exposures, information search, interactions with salespersons, choice and decision making, purchasing, and product usage in various situations. Additionally, Brucks (1985) research states that consumers knowledge depends on prior experience, objective and subjective knowledge. By objective knowledge, the author is referring to the knowledge that a consumer truly possesses while the subjective knowledge is what a consumer believes to know. Regarding prior experience, the author points out that depends on the consumer different memories regarding the experience with the product.

Prior literature in this field, suggests that customer knowledge has an impact on how individuals process message information and become aware of a subject. Alba and Hutchinson (1987) suggest a number of factors that can influence the learning of information, depending if the consumer is an expert or a novice. For instance, the authors suggest that experts are more likely to connect to new information regarding a product to previously learned facts, because of a richer knowledge base. On the other hand, novices need help from the companies by making it easier for them to see the connections among the various sources of information.

These differences regarding consumer knowledge raise the question whether the level of awareness about a relevant subject also has an impact on brand valuations. Few literature studies have yet looked into how consumers' environmental awareness influences brand

valuations including purchase behaviors. Specifically, Hartmann & Apaolaza-Ibáñez (2012) developed a study showing the direct influence of consumers' environmental concern on purchase intention. However, the literature is not extensive, representing an opportunity for further research on the impact of consumer social and environmental awareness on brand valuations, more specifically, on the consumer perceived ethicality, purchase intention and perceived aesthetics.

## 2.6. Perceived Aesthetics

Although there are a number of studies that examine the influence of aesthetics on product valuations (Veryzer, 1993), studies evaluating the impact of ethicality on perceived aesthetics are still deficient. When we introduce the luxury sector, the information is even more scarce.

However, appearance is one of the attributes that play a role when consumers are choosing products and can influence the quality perception and desirability (Ranscombe, Hicks, Mullineux, & Singh, 2012). Bloch (1995) shows the impact of product appearance on consumers' decisions to purchase products. The author states that consumers prefer to buy more attractive products when they need to choose between two products with equal price and functionality. Given the importance of the aesthetics on the consumer decision-making process when buying a product and the deficient research in this subject, the present dissertation intends to contribute to the literature on this issue. We will provide information about the impact that (un)ethical brand positioning and the perceptions consumers develop from this positioning, on perceived aesthetics.

### 3. Conceptual Framework and Hypotheses

After acquiring a deep knowledge regarding sustainability/ethicality, consumer perceived ethicality, social and environmental awareness and perceived aesthetics concerning the luxury sector, it is now possible to present a conceptual framework and hypotheses for this research that are in line with the research purpose and that can bring additional information to the academic literature review (figure 1). The conceptual model represented below suggest that brand type has an impact on brand valuations and that this relationship is moderated by the level of social and environmental awareness of consumers. Moreover, the mediating role of consumer perceived ethicality is analyzed on the relationship between brand type and brand valuations.

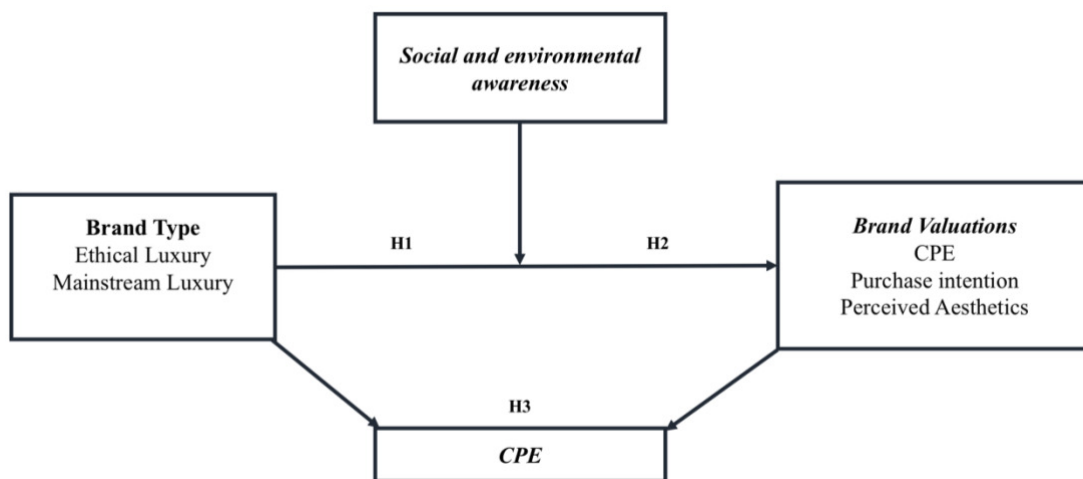


Figure 1: Conceptual Model



### 3.1. Hypotheses

In order to address the first research question, focused on the compatibility between luxury and ethical behavior in the eyes of the consumer, it is important to analyze how the different luxury brands' positioning affects consumers' perceived ethicality, the purchase intention and perceived aesthetics towards that brand. Prior research on consumer perceived ethicality proposes that prior ethical knowledge about a brand may exert a positive or negative impact on consumer perceived ethicality and which ultimately, may impact consumer attitudes and purchase behaviors towards a brand (Brunk, 2010). Therefore, the first hypothesis is suggested as follows:

*H1: The type of luxury brand (ethical vs. mainstream) will have an impact on the Brand Valuations for CPE, Purchase Intention and Perceived Aesthetics.*

The second research question raises the question to what extent increasing consumers' awareness regarding social and environmental issues be a positive drive in creating a more ethical business model for luxury brands. From the literature, it is suggested that consumers' decision-making process is influenced by prior negative or positive experiences with the brand and that the knowledge accumulated by those experiences, either the objective or real knowledge, influences brand evaluations (Brucks, 1985). Additionally, since consumers are more aware about the importance of sustainable or ethical consumption (Chen, 2006), this accumulated knowledge will also influence their purchase decisions. Therefore, it is hypothesized that the level of information concerning the ethical/unethical behavior of luxury brands will influence consumers' attitudes toward the brand and consequently its purchase intention. Thus, the second hypothesis is suggested as follows:

*H2: The impact of Brand Type on Brand Valuations will be moderated by the level of Social and Environmental Awareness (SEA), so that*

*H2a: The higher the level of Social and Environmental Awareness (SEA), the higher are Brand Valuations for Purchase Intention, CPE and Perceived Aesthetics.*

The literature suggests that consumer perceived ethicality seems to mediate the relationship between brand familiarity and product valuations (Herédia-Colaço et al., 2017). In the present dissertation, we predict that CPE will also mediate the effect of brand type (ethical vs. mainstream) on brand valuations for CPE, Purchase Intention and Perceived Aesthetics. Literature in this CPE domain suggests the positive impact between a firm's ethical actions and consumers' willingness to pay and purchase intention Creyer (1997). Additionally, Brunk (2010) suggests that unethical behavior can generate negative reputation and since reputational issues are so important in the luxury sector, managers should be aware of the repercussions of their choices. Therefore, our third hypothesis is as follows:

*H3: Consumer perceived ethicality (CPE) will mediate the relationship between Brand Type and Brand Valuations, so that the higher the CPE, the higher are Brand Valuations for CPE, Purchase Intention and Perceived Aesthetics.*

## 4. Methodology and Research Framework

This chapter contains the research methods used in the study, as well as the design and procedures and a description of the variables included in order to answer to the research questions.

### 4.1. Research Methods

In order to address the research questions, two experimental studies were performed: a pre-test and a main study. The studies were developed using the web-platform Qualtrics, as an online survey, so that a large number of respondents in a restricted period of time was possible. The choice of this research platform was due to its main advantages of proving countless question types and options regarding survey structure. Another advantage of data collection via online survey is the efficient distribution to a large audience with minimum administrative cost in a time-effective manner since questionnaires can be easily shared online by e-mail or social media, through a link provided by the platform that can simply be copied and shared.

Additionally, this methodology is convenient for participants as they can fill out the survey when is more suitable and in their natural environment, without any temporal or spatial restrictions. Moreover, online survey methods provide the possibility of customizing the survey according to the objectives of each study, allowing to use features such as randomization, that reduces possible bias since it distributes random allocation to one of the two stimuli produced in the study. The option of automatic download of the data into the statistics program SPSS is another major benefit of Qualtrics.

However, using this platform brings some risks regarding the respondent's concentration while filling the survey and reliability of the answers, as well as the clarification of questions that may arise. Therefore, a well-thought design was developed to maintain the respondent's attention until the end of the survey, to avoid misunderstandings and survey abandon, consisting in easy and short closed-response questions that were pretested.

## 4.2. Sampling

For this study, a non-probability sampling technique was selected, meaning that the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected. Within the nonprobability sampling techniques, there is a distinction between convenience and judgmental sampling methods. The latter uses judgement to identify representative samples and includes snowball sampling, where each respondent, after being interviewed, is asked to identify one or more others in the appropriate group; and quota sampling, where the sample includes a minimum number from each specified subgroup in the population. However, for cost and time management and effectiveness, convenience sampling was selected for this study.

## 4.3. Research Instruments

### Pre-Test

A pre-test was conducted with 15 participants in order to obtain feedback and adjust the main study. This study provided information either the stimuli was well constructed so that participants could perceive the ethical or unethical behavior of the two brands. Also, it was important to comprehend if respondents maintained their motivation until the end of the survey, due to its length. Moreover, it provided information regarding the questions and the survey flow. The subjects of this test did not participate in the main study.

### Main study

The main survey was translated into Portuguese and English to reach the highest diversity possible. The sample size was adequate, with 345 respondents, of which 174 were fully completed. The completion rate is considerable, under the circumstances that participants get frequently interrupted and do not demonstrate sufficient commitment, while answering to online-based surveys (Reips, 2002). Therefore, each cell of the two experimental conditions incorporated 87 participants, which is sufficient for the required number of answers needed for a randomized experimental design-study that is high in consistency and validity (Saunders, Lewis & Thornill, 2009).

#### 4.4. Design and procedure

In order to address the research purpose, and after completing the literature review, the primary data was collected.

The data collection was finished within one week at the beginning of November of 2018, with a total sample of 345 respondents. Only complete responses were considered relevant for analysis. The study followed a mixed design with a 2 (Type of luxury brand: ethical, mainstream) x 2 (Social and environmental awareness: high, low) randomized between-within subjects' design.

The survey followed a structured flow, starting by a short introduction of the research framework. Next, using the evenly randomization and branch functions in Qualtrics, respondents were randomly exposed to one of the two experimental manipulations which consisted of two descriptions of opposite luxury brands in sustainability and ethicality matters. Both brand descriptions were very similar in terms of text structure but one reinforcing the sustainability positioning as also presenting a natural and greener layout, and other representing a mainstream luxury brand with a modern and sophisticated layout.

After seeing one of the two scenarios, participants were asked to answer the manipulation check question, concerning their perception regarding the sustainability/ethicality of the brand showed. Further, respondents were asked about their consumer perceived ethicality (CPE) regarding the brand using a scale from the literature where participants were asked to rate their level of agreement with five items. Next, purchase intention was measured by their likelihood to purchase a scarf from the brand, independent of the current monetary situation of the participant. Also, as dependable variables, respondents were asked about the perceived aesthetics of the brand.

In the section after, social and environmental awareness was measured. Additionally, a question regarding shopping habits was included to understand whether the participants were regular shoppers. To conclude the survey, a set of demographic questions was asked, and participants were thanked for completing the survey. See Appendix 2 for the questionnaire.

#### 4.5. Stimuli Development

In order to address the research questions, stimuli were developed where both scenarios were showed randomly to the respondents. The stimuli consisted of descriptions of two opposite luxury brands in terms of sustainability/ethicality positioning. On the mainstream scenario, the brand Fendi was showed and on the ethical/sustainable scenario participants saw Stella McCartney. The descriptions included the type of articles sold by the brand, the materials used, and explanation of the brand positioning, the culture and the reason why the brand is renowned. Again, both scenarios were developed in two different layouts, one greener and nature related for the sustainable brand and one more neutral for the mainstream luxury brand. However, the scenarios were nearly identical in the words used and structure but different in terms of sustainability positioning and layout.

To ensure that the manipulations were correctly perceived, the stimuli were developed after several tests prior to the main study. The stimuli can be found in Appendix 1.

#### 4.6. Variable Descriptions

##### *Manipulation check*

Manipulation check was assessed by asking participants, after being exposed to one of the two scenarios, whether they perceived the brand of the scenario as sustainable/ethical, on a 7-point Likert Scale (1 – not at all, 7 – very much).

##### *Independent Variable*

Type of Brand: Two conditions were created related to the type of brand presented to the participants. The mainstream luxury brand, Fendi, and the ethical luxury brand, Stella McCartney, were randomly assigned to participants in the survey so that the 50% of respondents were exposed to Fendi and the remaining 50% was exposed to the Stella McCartney.

##### *Moderator*

*Social and Environmental awareness:* SEA was measure asking participants their level of agreement with five items, on 7-point Likert scale (1 = strongly disagree; 7 = strongly agree):

- I'm constantly exposed to social and environmental news
- I care about social and environmental issues
- I consider myself as well informed regarding social and environmental issues
- I normally take initiative in searching information regarding social and environmental issues
- I base my decisions on positive or negative information that is provided to me

### *Dependent Variable*

The dependent variables were assessed after participants were exposed to the experimental manipulations.

**Consumer Perceived Ethicality (CPE):** Consumer Perceived Ethicality was assessed by asking participants for their level of agreement with four items concerning their perceptions about the ethicality of the brand just seen, on a 7-point Likert scale (1 = strongly disagree; 7 = strongly agree):

- The brand respects moral norms.
- The brand always adheres to the law.
- The brand is a socially responsible brand.
- The brand is a good brand.
- The brand will make a decision only after careful consideration of the potential positive or negative consequences for all those involved.

The scale was adapted from (Katja H Brunk, 2012).

**Purchase Intention:** was measured by asking participants about their level of agreement on a 7-point Likert Scale (1 = strongly agree to 7 = strongly disagree) to the statement “Independent of your purchasing power at the moment, please imagine a scenario where you have the financial comfort that allows you to regularly buy luxury brands. In that scenario, please state how likely would you buy this brand?”.

**Perceived Aesthetics:** Perceived Aesthetics was assessed by asking participants for their level of agreement with five items, on a 7-point likert scale (1 = strongly disagree; 7 = strongly agree):

- The brand is appealing
- The brand is fashionable

- The brand seems cool
- The brand is updated with current trends
- The brand is luxurious

*Mediator*

Consumer Perceived Ethicality (CPE): Consumer Perceived Ethicality was again used but as mediator. The scale was adapted from (Katja H Brunk, 2012).

The complete questionnaire including all measures and corresponding scales can be found in Appendix 2.



## 5. Analysis and Results

### 5.1. Sample characterization

At the end of the survey, some demographic characteristics were analyzed to portray the sample. Starting with the gender, the sample was mostly female (75,3%). Most participants were employed (50,6%), followed by University students (37,4%). Regarding the educational level, 46,6% of respondents were holding a bachelor's degree, 25,9% a master's degree and 21,8% have High School Degree. Most of the participants were of Portugal nationality (93,7%) and 92.5% lived in Portugal in the past 5 years.

Regarding the age, the question was made based on generations. In the sample, 72,4% of participants were generation Y/Millennials (1980-1999), 19,5% belong to Generation X (1960-1979), 5,7% to generation Z (2000-Present) and 1,7% belong to Baby Boomers (1940-1959). The majority of respondents said to have a personal annual income of less than 10.000€ (33.9%), followed by 23.6% of participants who had between 10.000€ and 19.999€. The pie charts of demographics can be found in appendix 3.

### 5.2. Scale Reliability

Reliability analysis was made to all the variables included in the study, using the Cronbach's  $\alpha$  (alpha), that is a statistical measure used for reliability assessment of Likert-type scales. Although some scales were adapted from literature, it is crucial to measure the consistency of the multiple question items and analyze if they are connected and are measuring the same construct, that is, analyze whether all items are measuring the same variable and should be consequently combined into one scale. Cronbach's  $\alpha$  (alpha) values range from 0.1 to 1, being that higher values represent high degrees of internal consistency as well as reliability of a sum or average of the survey items.

Research still did not agree to a minimum value for Cronbach's  $\alpha$ , but the most common and according to DeVillis (1991), is to consider values lower than 0.6 unacceptable to validate consistency, values between 0.70 and 0.80 are considered good and values between 0.80 and

0.90 very good. For all the variables, the results for internal consistency of the scales showed an alpha value above the minimum value of 0,6. The Katja H Brunk (2012) scale for Consumer Perceived Ethicality, adapted from the literature, had a Cronbach's  $\alpha = 0.921$ . The Social and Environmental Awareness scale showed a Cronbach's  $\alpha$  of 0.717 and the perceived aesthetics, showed a  $\alpha = 0.855$ . Recoding of some of the items used in scales was necessary as they were reversely coded in the questionnaire.

*Table 1: Reliability test for multi-item scales*

Scale	Initial Number of items	Cronbach's $\alpha$	Number of deleted items	Cronbach's $\alpha$ if items deleted	Final number of items
<b>CPE</b>	5	0.921	0	-	5
<b>SEA</b>	5	0.717	0	-	5
<b>Perceived Aesthetics</b>	5	0.855	0	-	5

### 5.3. Outlier Analysis

Multivariate outlier analysis was made before proceeding with the analysis of the data, in order to detect possible mistakes or responses that could be biasing the results (Seltman, 2015).

This analysis identifies unusual combinations of two or more variables for the same participant using the Mahalanobis distance. The Mahalanobis distance generates a new variable for each participant and participants with p-value lower than .001 ( $p < .001$ ) were considered outliers. Two potential outliers were identified, however, after a careful analysis the decision was to not remove them from the initial sample as it would not alter results.

#### 5.4. Results Manipulation check

Brand type Manipulation check was performed, to analyze whether participants perceived the brand Stella McCartney as an ethical luxury brand and Fendi as a mainstream luxury brand.

An independent-samples *t-test* at a 95% confidence interval was made to evaluate these discrepancies. Results showed that manipulations worked as expected, so that participants perceived Stella McCartney as more ethical/sustainable ( $M=5.78$ ;  $SD=1.367$ ) and Fendi less ethical/sustainable ( $M=2.78$ ;  $SD=1.586$ ),  $t(174) = -13.329$ ;  $p < 0.001$

*Table 2: Manipulation check for Brand type (luxury ethical/sustainable vs. luxury mainstream)*

	Ethical Luxury Brand (Stella McCartney)		Mainstream luxury brand (Fendi)		<i>t-test</i>
	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	
Brand type Manipulation check	5.78	1.367	2.78	1.586	-13.329***

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

#### 5.5. Main results

Different analyses were conducted to test our hypotheses. First, we conducted a multivariate analysis of variance (MANOVA) to test the impact of Brand Type on the CPE, Purchase Intention and Perceived Aesthetics, our dependent variables. Next, to test differences between conditions, independent samples *t-test* were conducted. For both moderation and mediation analysis, we conducted a regression analysis, using Haye's (2013, 2015), model 1 and 4, respectively.

### 5.5.1. The impact of Luxury brand type on Brand valuations

First, this research started to analyze the main effect between luxury brand type and brand valuations for CPE, Purchase Intention and Perceived Aesthetics. This main effect is defined in the present dissertation as the first hypothesis:

*H1: The type of luxury brand (ethical vs. mainstream) will have an impact on the Brand Valuations for CPE, Purchase Intention and Perceived aesthetics.*

MANOVA results indicate a main effect of brand type on all dependent variables, namely on CPE ( $(F(1,174)=98.79 \ p < 0.001)$ ), on Purchase Intention ( $(F(1,173)= 31.83 \ p < 0.001 \ )$ ) and on Perceived Aesthetics ( $(F(1,174)= 9.26, \ p < 0.01 \ )$ ).

The results of the independent samples *t-test* suggest that participants perceive the sustainable brand (Stella McCartney) to be more ethical than the mainstream brand (Fendi) - CPE ( $M_{\text{Fendi}} = 3.72$  vs  $M_{\text{Stella}} = 5.53$  ;  $t(174) = -9.97$  ;  $p < 0.05$ ). As expected participants also show higher intentions to purchase the Stella McCartney brand than the Fendi brand: purchase intention ( $M_{\text{Fendi}} = 3.64$  vs  $M_{\text{Stella}} = 5.27$  ;  $t(174) = -5.66$  ;  $p < 0.05$ ). Finally, participants also perceived the Stella brand to be more aesthetically appealing than the Fendi brand: Perceived Aesthetics: ( $M_{\text{Fendi}} = 5.05$  vs  $M_{\text{Stella}} = 5.57$  ;  $t(174) = -3.05$  ;  $p < 0.05$ ), fully supporting H1 and our predictions that a luxury brand type has an impact on brand purchasing perceptions and intentions.

### 5.5.2. The moderating effect of Social and Environmental awareness on Brand Valuation

*H2: The impact of Brand Type on Brand Valuations will be moderated by the level of Social and Environmental Awareness (SEA), so that*

*H2a: The higher the level of Social and Environmental Awareness (SEA), the higher are Brand Valuations for Purchase Intention, CPE and Perceived Aesthetics.*

To test this set of hypotheses, a regression analysis was performed using Brand Type as independent variable, SEA as moderator and CPE, Purchase Intention and Perceived Aesthetics, as dependent variables. We performed Hayes (2013, 2015) regression test, model 1. According to the author, if the confidence intervals do not contain zero, there is a 95% confident that there is a moderation effect between the variables. In the same logic, there is no moderation effect between the variable if the results of the confidence intervals contain zero.

### **Brand Type x SEA on Consumer Perceived Ethicality**

Using a linear regression, results show a significant brand type x SEA interaction on the CPE dependent variable ( $B = 0.58$ ,  $SE = 0.22$ ,  $p < 0.01$ , 95% CI = [0.15 to 1.01]) (Hayes, 2013, 2015) (see table 3).

The conditional effects of the focal predictor at (-1SD and +1SD) values of the moderator indicate that the effect is positive and significant and progressively increases from (-1SD:  $B = 1.32$ ,  $SE = .25$ ,  $t(174) = 5.22$ ,  $p < .001$ , 95% [CI = 0.82 to 1.82]) to (+1SD:  $B = 2.29$ ,  $SE = .25$ ,  $t(174) = 8.99$ ,  $p < .001$ , 95% [CI = 1.79 to 2.79]).

Findings suggest that as the level of social and environmental awareness (SEA) increases, the higher the impact of brand type on ethicality perceptions about the brand. These results show that the higher the social and environmental awareness of a consumer, the higher the is its perceived ethicality regarding a brand that is perceived as being more sustainable.

*Table 3: SEA as a moderator on the effect of Brand Type on CPE*

		<b>Coefficient</b>	<b>SE</b>	<b>Lower CI</b>	<b>Upper CI</b>
<b>Outcome</b>	<b>Brand Type * SEA</b>	0.58**	0.22	0.15	1.01
<b>Conditional Values</b>	<b>Low SEA (-1SD)</b>	1.32***	0.25	0.82	1.82
	<b>Medium SEA</b>	1.80***	0.18	1.45	2.16
	<b>High SEA (+1SD)</b>	2.29***	0.25	1.79	2.79

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

### **Brand Type x SEA on Purchase Intention**

Similar results were attained on the brand type x SEA interaction on purchase intention ( $B = 0.79$ ,  $SE = 0.35$ ,  $t(174) = 2.27$ ,  $p < 0.05$ , 95% CI = [0.10, 1.48]). (Hayes, 2013, 2015) (see table 4). Further examining this interaction, slope analysis (Aiken & West 1991) revealed that SEA moderator influences individuals with high social and environmental awareness. That is, the conditional effects of the focal predictor at (-1SD and +1SD) values of the moderator indicate that the effect is positive and significant and progressively increases from (-1SD:  $B = 0.97$ ,  $SE = 0.41$ ,  $t(174) = 2.38$ ,  $p < 0.05$ , 95% [CI = 0.16 to 1.78]) to (+1SD:  $B = 2.30$ ,  $SE = .41$ ,  $t(174) = 5.60$ ,  $p < 0.001$ , 95% [CI = 1.49 to 3.11]). Findings suggest that the higher the SEA, the higher the effect of brand type on Purchase Intention.

*Table 4: SEA as a moderator on the effect of Brand Type on Purchase Intention*

		Coefficient	SE	Lower CI	Upper CI
<b>Outcome</b>	<b>Brand Type * SEA</b>	0.79*	0.35	0.10	1.48
<b>Conditional Values</b>	<b>Low SEA (-1SD)</b>	0.97*	0.41	0.16	1.78
	<b>Medium SEA</b>	1.63***	0.29	1.07	2.20
	<b>High SEA (+1SD)</b>	2.30***	0.41	1.49	3.11

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

### **Brand Type x SEA on Perceived Aesthetics**

When testing the brand type x SEA interaction on the Perceived Aesthetics dependent variable, similar results were attained, ( $B = 0.49$ ,  $SE = 0.20$ ,  $p < 0.05$ , 95% CI = [0.10 to 0.88]) (Hayes, 2013, 2015) (see table 5).

The conditional effects of the focal predictor at (-1SD and +1SD) values of the moderator indicate that the effect is not significant for the low condition and significant for median and high condition and progressively increases from (-1SD:  $B = 0.09$ ,  $SE = .23$ ,  $t(174) = 0.40$ ,  $p > .05$ , 95% [CI = -0.36 to 0.55]) to (+1SD:  $B = 0.92$ ,  $SE = 0.23$ ,  $t(174) = 3.96$ ,  $p < .001$ , 95% [CI = 0.46 to 1.37]), fully validating H2a. These results show that the higher the social and

environmental awareness of a consumer, the higher are consumers' evaluations towards a sustainable brand. That is, our moderation effect suggests for more ethical brands, the effect increases with increments in ethical positioning.

*Table 1: SEA as a moderator on the effect of Brand Type on Perceived Aesthetics*

		<b>Coefficient</b>	<b>SE</b>	<b>Lower CI</b>	<b>Upper CI</b>
<b>Outcome</b>	<b>Brand Type * SEA</b>	0.49*	0.20	0.10	0.88
<b>Conditional Values</b>	<b>Low SEA (-1SD)</b>	0.09	0.23	-0.36	0.55
	<b>Medium SEA</b>	0.50*	0.16	0.19	0.82
	<b>High SEA (+1SD)</b>	0.92***	0.23	0.46	1.37

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

### 5.5.3. The mediation effect of CPE on Brand Valuation

To test hypothesis two a mediation analysis was performed using CPE as a mediator between brand type and brand valuations.

*H3: Consumer perceived ethicality (CPE) will mediate the relationship between Brand Type and Brand Valuations, so that the higher the CPE, the higher are Brand Valuations for Purchase Intention, CPE and Perceived Aesthetics.*

To test this hypothesis, a mediation analysis was performed using Brand type as independent variable, CPE as mediator and Purchase Intention and Perceived Aesthetics as the dependent variables.

To test if CPE mediated the relationship between Brand Type and Brand Valuation, we performed Hayes (2013, 2015) mediation analysis, model 4. According to the author, if the confidence intervals do not contain zero, there is a 95% confident that there is a mediating effect between the variable. In the same logic, there is no mediation effect between the variable if the results of the confidence intervals contain zero.

### **Mediating effect of CPE on Purchase Intention**

Model 4 of the Hayes regression test was used, and the results showed that CPE indeed mediates the effect of Brand Type on purchase intention (see table 6). The impact of Brand Type on CPE ( $B=1.81$ ,  $SE=.18$ ,  $p < .001$ , 95% CI=[1.45 to 2.17]) and the impact of CPE on Purchase Intention ( $B=0.83$ ,  $SE=0.10$ ,  $p < .001$ , 95% CI=[0.64 to 1.04]) are both significant.

The conditional indirect effects indicate that CPE mediates the effect of Brand Type and Purchase Intention (*indirect effect* = 1.52,  $SE = 0.23$ , 95% CI = [1.07 to 1.97]).

Tests of the conditional direct effect of Brand Type and Purchase Intention are not significant (*direct effect* = 0.11,  $SE = 0.31$ ,  $p > .05$ , 95% CI = [-0.50, 0.72]), indicating that there is a full mediation of CPE on Purchase intention (Hayes, 2013, 2015).

*Table 6: CPE as a mediator on the effect of brand type on Purchase Intention*

<b>Outcome</b>	<b>Indirect effect paths</b>	<b>Indirect effect</b>	<b>Lower CI</b>	<b>Upper CI</b>
1	Brand type → CPE	1.81***	1.45	2.17
2	CPE → Purchase Intention	0.83***	0.64	1.04
3	Brand type → CPE → Purchase Intention	1.52	1.08	1.99
	<b>Direct effect path</b>	<b>Direct effect</b>	<b>Lower CI</b>	<b>Upper CI</b>
4	Brand type → Purchase Intention	0.11	-0.50	0.72

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$



### **Mediating effect of CPE on Perceived Aesthetics**

A similar pattern of results was obtained for the on the Perceived Aesthetics variable using again model 4 of the Hayes Regression (see table 7). The impact of Brand Type on CPE ( $B=1.8121$ ,  $SE=0.18$ ,  $p < 0.001$ , 95% CI=[1.45 to 2.17]) and the impact of CPE on Perceived Aesthetics ( $B=0.51$ ,  $SE=.06$ ,  $p < 0.001$ , 95% CI=[0.39, 0.62]) are both significant.

The conditional indirect effects indicate that CPE mediates the effect of Brand Type and Perceived Aesthetics (*indirect effect* = 0.92,  $SE = 0.17$ , 95% CI = [0.59 to 1.27]). However, tests of the conditional direct effect of Brand Type and Perceived Aesthetics show to be significant (*direct effect* = -0.40,  $SE = 0.18$ ,  $p < .05$ , 95% CI = [-0.75 to -0.04]), indicating that there is only a partial mediation of CPE on Perceived Aesthetics (Hayes, 2013, 2015), and thus, partially validating H3.

*Table 7: CPE as a mediator on the effect of brand type on perceived aesthetics*

<b>Outcome</b>	<b>Indirect effect paths</b>	<b>Indirect effect</b>	<b>Lower CI</b>	<b>Upper CI</b>
1	Brand type → CPE	1.81***	1.45	2.17
2	CPE → Perceived Aesthetics	0.51***	0.39	0.62
3	Brand type → CPE → perceived aesthetics	0.92	0.59	1.27
	<b>Direct effect path</b>	<b>Direct effect</b>	<b>Lower CI</b>	<b>Upper CI</b>
4	Brand type → Perceived Aesthetics	-0.40*	-0.75	-0.04

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

## 6. Conclusions and Implications

The present dissertation objective was to understand the impact that social and environmental awareness has on consumers' brand valuations, namely on consumer perceived ethicality of brands, on the purchase intention and perceived aesthetics. Additionally, it intended to research if this impact varies depending on the type of brand, either ethical luxury or mainstream luxury. Moreover, it aimed at analyzing if consumers' brand valuations can be a positive drive for increasing the sustainable or ethical positioning of brands within the luxury sector and if luxury and ethicality are compatible concepts in the eyes of consumers.

To develop this knowledge regarding discrepancies depending on the type of luxury brand, two different scenarios were developed where the first one represents an ethical luxury brand, Stella McCartney, known for the sustainability positioning, and the second represents a mainstream luxury brand, Fendi, whose products' materials range from leather to fur, therefore, not engaging in an ethical brand positioning. The findings suggest that, indeed, the type of luxury brand has an impact on the consumers' brand valuations (*RQ1*). Specifically, findings indicate that purchase intention is higher for the ethical brand compared with the mainstream, suggesting that consumers who are more aware of the ethical standing of brands prefer to engage in more ethical consumption patterns and prefer to purchase brands whose business model is in line with ethical values. Therefore, it can be suggested that the higher the ethical positioning of a brand, the higher the consumers' likelihood of purchasing. In addition, brand valuations such as Consumer Perceived Ethicality - CPE and Perceived Aesthetics are also impacted by the type of brand. The results show that CPE is higher for ethical luxury brands, which means that indeed, ethical positioning generates positive perceptions regarding the ethicality of a brand. A similar but weaker bound is found on the relationship between brand type and Perceived Aesthetics, that is higher for ethical luxury brands. Therefore, the results support our first hypothesis concerning the impact of type of luxury brand (ethical vs. mainstream) on the Brand Valuations for CPE, Purchase Intention and Perceived aesthetics. These results provide information regarding the first research question and show that indeed, consumers not only think that luxury can be ethical or sustainable, but also an extremely valuable and important component.

The second goal of the present dissertation was to study the extent to which increasing consumers' awareness regarding social and environmental issues can be a positive drive for a more ethical business model for luxury brands. Results showed that the higher the social and environmental awareness of the consumer, the higher the intention to purchase (*RQ2*). This suggests that consumers with deep knowledge or expertise will consume more ethical luxury brands than novice consumers. Consumer awareness for social and environmental issues also impacts the CPE, since results show that the higher is the awareness, the higher is the CPE. So, consumers that are more frequently exposed to information regarding social issues and the environment tend to have a higher positive perception about the ethicality of luxury brands. Also, the higher the social and environmental awareness of a consumer, the higher is its perceived aesthetics regarding a brand. Therefore, it can be suggested that consumers prefer ethical brand positioning when they are more aware of the external information, which impacts the consumption patterns into a more ethical behavior, leading luxury brands to rethink the ethicality of their business model in order to comply with consumers' consumption trends.

Lastly, the present dissertation aimed at analyzing if the perception of the consumer regarding the ethicality of luxury brands influence their brand valuations. Indeed, this impact is true. Results show that CPE mediates the effect of Brand Type on the purchase intention and perceived aesthetics.

### 6.1. Theoretical Implications

The present dissertation contributes to the literature on social and environmental awareness, consumer perceived ethicality in the luxury sector, by providing insights regarding the impact of consumers knowledge and awareness on the perceived ethicality of luxury brands.

The results are in line with the research provided by Brunk (2010) since we comply with the argument of the author that (un)ethical perceptions affect company/brand reputation and consequently, consumer attitudes and purchase behavior. It also verifies Creyer (1997) studies that show that consumers take perceptions of ethical or unethical corporate behavior into account when buying, punishing firms that do not engage in ethical activities by having less purchase intention.

Moreover, this dissertation contributes to the already extensive literature on the luxury sector, bringing new visions concerning the consumer perception of ethicality and the impact on purchase patterns. It proves the several statements of Kapferer (2017, p.3) regarding the compatibility of luxury and sustainable development since that it shows that consumers prefer to engage in consumption from ethical luxury brands. Additionally, it reinforces the opinion of several studies regarding the importance of motivating consumers and brands to engage in sustainable behaviors (Griskevicius, Vladas, Tybur, Van der Berg, 2010; Chen, 2006, Shen, 2014). Especially for luxury brands, where reputation plays a major role, it strengthens the literature suggesting that the concept of sustainability/ethicality has to become a priority for the luxury sector (Hennigs, Wiedmann, Klarmann and Behrens, 2013).

## 6.2. Practical Implications

The results of this study provide relevant insights into the brands of the luxury sector since it shows how ethicality and sustainability are currently important concepts for the consumer. Consumers show more probability to purchase sustainable luxury brands and perceived ethical brands as more aesthetics appealing. These results on the consumer brand valuations should lead luxury brands to rethink the positioning in order to meet consumers' expectations by engaging in ethical behaviors that do not compromise future generations. According to our results, these changes in brand behaviors would result in an increase of the products sales and perceived aesthetics of the products, by increasing the consumer perceived ethicality. Additionally, the study proves that a sustainable positioning indeed leads to a higher consumer perceived ethicality of luxury brands, that consequently leads to more purchase intention, so luxury brands can be confident that the change in behavior would produce real results since ethical positioning truly generates positive perception regarding the ethicality of the brand.

As this research demonstrates, consumers do form perceptions about the ethicality of firm behavior, thus, brand managers should play an active role in shaping these perceptions. For this interaction to work, consumers must be aware of the (un)ethical corporate behaviors. The study provides information regarding the importance of consumer knowledge on the luxury brands valuation. Consumers with a higher social and environmental awareness are more likely to prefer ethical brands. Therefore, brands with an ethical positioning should invest in

communicating their efforts in that line and behave consistently toward ethical issues, in order to keep the information easily accessible to the consumers.

Overall, managers of luxury brands should invest in guiding the positioning of the brand away from unethical or not sustainable such as product materials from animals, environmental damage, pollution, social scandals among others negative behaviors, in order to increase the perceived ethicality in the mind of the consumer, increasing in that way, the likelihood to purchase the products.

## **7. Limitations and Future Research**

The present research provides significant information on the impact of luxury brand positioning in the consumers brand valuations, however, some limitations are associated with the nature of the research.

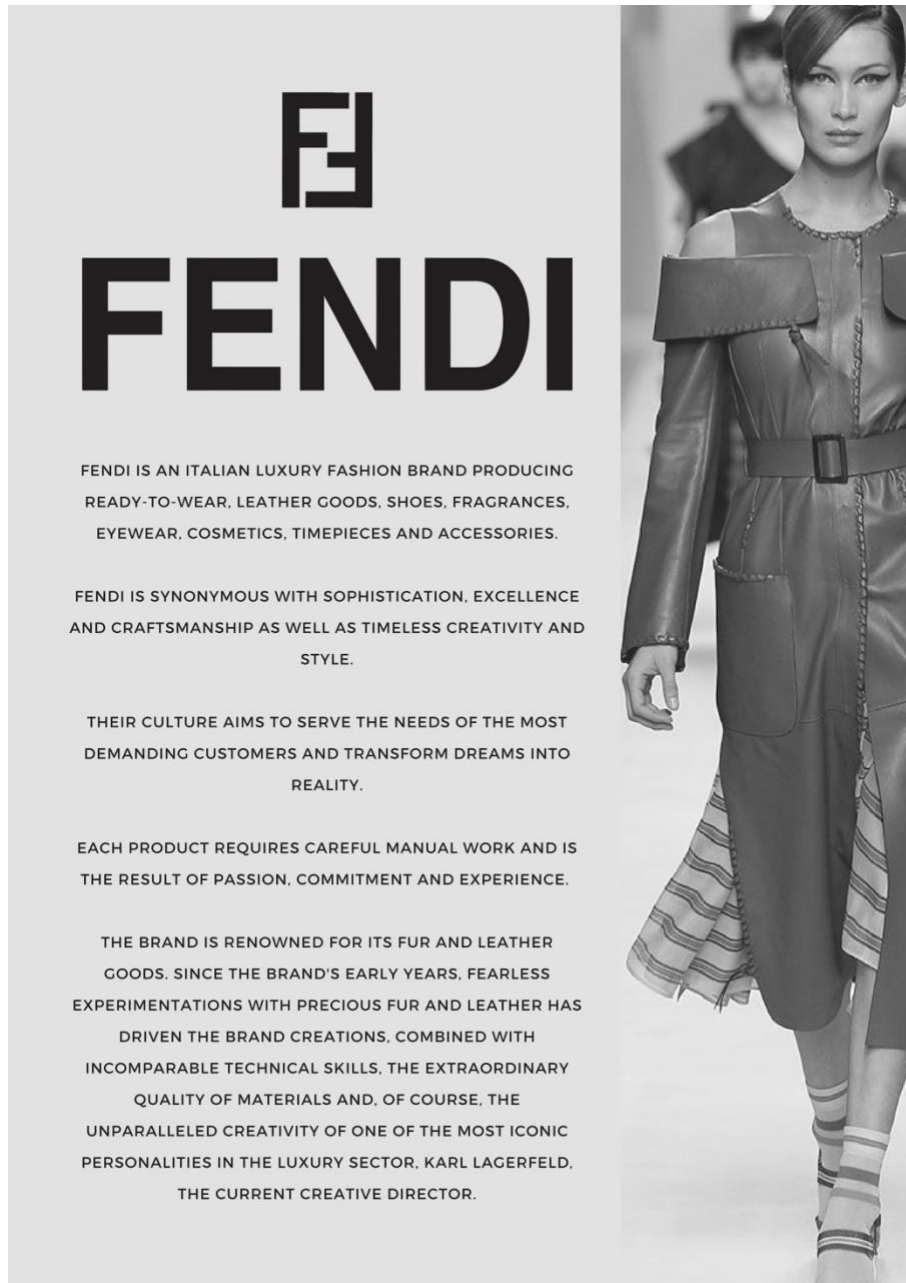
Starting by the research instruments used to test our hypotheses, online surveys are less intrusive but can present inaccuracy in responses due to concerns about time pressure and fatigue, prestige seeking and social desirability response bias, courtesy bias or uninformed response bias. Moreover, it can happen that intentions rather than actual behaviors are reported by the consumer (Carrington et al., 2010). Also, the questionnaire was distributed in social networks such as Facebook, LinkedIn and Instagram, making it difficult to control under what circumstances participants were responding to the survey in terms of commitment, honesty, focus, etc. Although the survey tried to reduce social desirability bias by asking hypothetically scenarios, it is still a limitation of the methodology that deserves to be mentioned. Therefore, further research could be performed using other research methods like fields experiments to cancel all the bias generated by surveys. Additionally, the sample used in the study is a convenience sample constituted mostly by females and young people (Millennials and Gen Z), belonging almost to Portuguese nationality. This fact constitutes a reduced view regarding the topic of the dissertation, therefore, it is not correct to make broader conclusions for the general population. We suggest that a larger and more varied sample should be gathered for future research. Regarding the stimuli design, only one brand per type of brand was used (Stella as the ethical luxury brand as Fendi as the mainstream luxury brand). Due to their recognition in the fashion industry, preconceived opinions might influence respondents. Therefore, a study with

several brands per type, with different products, and associated with different ethical issues could reduce biases responses and provide more accurate results.

Furthermore, the concept of “ethicality” may be multi-dimensional, meaning that different ethical corporate acts could result in different consumer responses (Creyer, 1997). In this study we did not touch all the dimensions of ethicality in luxury brands, thus, the opportunity exists for future research in understanding under what circumstances consumers are impacted by (un)ethical corporate behaviors. To conclude, the topic of ethicality and sustainability in the fashion or luxury world is increasing its weigh in the consumption preferences and patterns of the consumers, which represents an interesting field of studies for future and more deep research. Although it is already known the benefits of an ethical positioning, research on how to conciliate luxury sector particularities and ethical behavior still represent a challenge that should undoubtedly be scrutinized.

## 8. Appendices

### Appendix 1: Stimuli



**F**

# FENDI

FENDI IS AN ITALIAN LUXURY FASHION BRAND PRODUCING READY-TO-WEAR, LEATHER GOODS, SHOES, FRAGRANCES, EYEWEAR, COSMETICS, TIMEPIECES AND ACCESSORIES.

FENDI IS SYNONYMOUS WITH SOPHISTICATION, EXCELLENCE AND CRAFTSMANSHIP AS WELL AS TIMELESS CREATIVITY AND STYLE.

THEIR CULTURE AIMS TO SERVE THE NEEDS OF THE MOST DEMANDING CUSTOMERS AND TRANSFORM DREAMS INTO REALITY.

EACH PRODUCT REQUIRES CAREFUL MANUAL WORK AND IS THE RESULT OF PASSION, COMMITMENT AND EXPERIENCE.

THE BRAND IS RENOWNED FOR ITS FUR AND LEATHER GOODS. SINCE THE BRAND'S EARLY YEARS, FEARLESS EXPERIMENTATIONS WITH PRECIOUS FUR AND LEATHER HAS DRIVEN THE BRAND CREATIONS, COMBINED WITH INCOMPARABLE TECHNICAL SKILLS, THE EXTRAORDINARY QUALITY OF MATERIALS AND, OF COURSE, THE UNPARALLELED CREATIVITY OF ONE OF THE MOST ICONIC PERSONALITIES IN THE LUXURY SECTOR, KARL LAGERFELD, THE CURRENT CREATIVE DIRECTOR.

A black and white photograph of a woman walking on a runway. She is wearing a long, dark leather dress with a wide belt and a large pocket. The dress has a high collar and a long, flowing skirt. She is also wearing striped socks and high-heeled shoes. The background is blurred, showing other people on the runway.

*A: Mainstream Luxury Brand*



Stella McCartney is a luxury, sustainable and eco-friendly brand, producing ready-to-wear and accessories lines.

Stella McCartney is synonymous with nature, animal welfare, ethicality as well as timeless creativity and style.

Their culture aims to provide luxury that is beautiful and sustainable, no compromises.

Each product is produced taking in consideration animal welfare and greenhouse gas emissions, waste and water reduction strategies.

The brand is renowned for not using leather, fur, shearling or exotic animal skins or hairs. Since the brand's early years, fearless experimentations with numerous eco-friendly materials including recycled polyester, organic cotton, and regenerated cashmere has driven the brand creations, combined with incomparable technical skills, the extraordinary quality of materials and, of course, the unparalleled creativity of the lifelong vegetarian and animal-lover, Stella McCartney, the founder and creative director.

*B: Ethical Luxury Brand*



## Appendix 2: Survey Questionnaire

Welcome and thank you in advance for taking the time to complete this survey.

The present study is part of my master thesis and your participation is very important in order to complete this stage of my master in Católica Lisbon School of Business and Economics.

This survey takes approximately 10 minutes to complete.

All data obtained will be used anonymously and confidentially. Therefore, I ask you to answer honestly and spontaneously. There are no right or wrong answers. If you have questions or feedback regarding the survey, please contact: 152117190@alunos.lisboa.ucp.pt

Thank you!

### *Stimuli*

**Q1 Please carefully read the description of the brand below since it will be the base for the following set of questions.**

### *Manipulation\_check*

**Q2 Based on the description above, how sustainable/ethical do you perceived this brand to be.** (*Sustainability is defined as development that meets the needs of the present without compromising the ability of future generations to meet their needs. The concept of sustainability comprises social, environmental and economic performance aspects.*)

- ☐ 1 = Not at all (1)
- ☐ 2 (2)
- ☐ 3 (3)
- ☐ 4 = Neither or ethical (4)
- ☐ 5 (5)
- ☐ 6 (6)
- ☐ 7 = Very much (7)

Consumer Perceived Ethicality

Q3 Please state your level of agreement with the following statements:

	Strongl y agree (1)	Agre e (2)	Somewha t agree (3)	Neither agree nor disagre e (4)	Somewha t disagree (5)	Disagre e (6)	Strongl y disagree (7)
The brand respects moral norms (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand is a socially responsible brand (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand is a good brand (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand always adheres to the law (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand will make a decision only after careful consideration of the potential positive or negative consequences for all those involved (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

*Purchase intention*

**Q4 Independent of your purchasing power at the moment, please imagine a scenario where you have the financial comfort that allows you to regularly buy luxury brands. In that scenario, please state how likely would you buy this brand?**

- ☐ Extremely likely (1)
- ☐ Moderately likely (2)
- ☐ Slightly likely (3)
- ☐ Neither likely nor unlikely (4)
- ☐ Slightly unlikely (5)
- ☐ Moderately unlikely (6)
- ☐ Extremely unlikely (7)

**Q5 You're doing great!! In this next section, I want to analyze your perceived aesthetics regarding the brand you saw at the beginning of the survey, Stella McCartney.**

*Perceived Aesthetics***Q6 Please state your level of agreement with the following statements:**

	Strongly agree (1)	Agree (2)	Somewhat agree (3)	Neither agree nor disagree (4)	Somewhat disagree (5)	Disagree (6)	Strongly disagree (7)
The brand is appealing (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand is fashionable (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand is simple/flat (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand seems cool (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand is boring (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand is updated with current trends (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand is luxurious (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q7 We're almost done! In this section, we will analyze your sustainability consciousness, social and environmental awareness and shopping habits.**

*Consumer Sustainability Consciousness*

**Q8 Please state your level of agreement with the following statements, regarding the next phrase.**

**I started consuming more sustainably/ethically when... :**

	Strongl y agree (1)	Agre e (2)	Somewh at agree (3)	Neither agree nor disagre e (4)	Somewh at disagree (5)	Disagre e (6)	Strongl y disagre e (7)
I started to pay more attention to my health (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I saw information online/documentary that led me to change my consumption patterns (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I personally felt the difficulties of the current economic crisis and had to pay more attention to what I really needed to buy (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I realized we were polluting or destroying Nature (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I stopped buying products tested on animals (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I started making an effort to buy products in recyclable packaging (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

I realized I could contribute to a better world by buying fair trade products (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The product labels drew my attention to characteristics that fit with my own values (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I realized that I would buy sustainably even with a lower product quality (9)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

*Social and environmental awareness***Q9 Please state your level of agreement with the following statements:**

	Strongly agree (1)	Agree (2)	Somewhat agree (3)	Neither agree nor disagree (4)	Somewhat disagree (5)	Disagree (6)	Strongly disagree (7)
I'm constantly exposed to social and environmental news (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I care about social and environmental issues (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I consider myself as well informed regarding social and environmental issues (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Are you still reading carefully? If yes, please select "Agree" (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I normally take initiative in searching information regarding social and environmental issues (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I base my decisions on positive or negative information that is provided to me (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

*Shopping habits*

**Q10 Now, regarding your shopping habits, please state your level of agreement with the following statements:**

	Strongly agree (1)	Agree (2)	Somewhat agree (3)	Neither agree nor disagree (4)	Somewhat disagree (5)	Disagree (6)	Strongly disagree (7)
I am into fashion (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The way I look is not important to me (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I like buying clothes and accessories from well known brands (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I usually look for fashion inspiration (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I consider myself a fashionista (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I like shopping for clothes and accessories (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



**Q11 OK, last few questions! In this section, please answer some demographics about yourself and you're free to go!**

**Q12 What is your gender?**

- ☐ Male (1)
- ☐ Female (2)

**Q13 What year were you born?**

▼ 1940 - 1959 (1) ... 2000 - Present (4)

**Q14 What is your occupation?**

- ☐ High School Student (1)
- ☐ University Student (2)
- ☐ Employed (3)
- ☐ Unemployed (4)
- ☐ Retired (5)

**Q15 What is the highest level of education you have completed?**

- ☐ Less than High School (1)
- ☐ High School (2)
- ☐ Bachelor Degree (3)
- ☐ Master Degree (4)
- ☐ Doctoral Degree (5)
- ☐ Professional Degree (6)

**Q16 Where are you from?**

▼ Please select below... (1) ... Other (195)

**Q17 Where did you live in the past 5 years?**

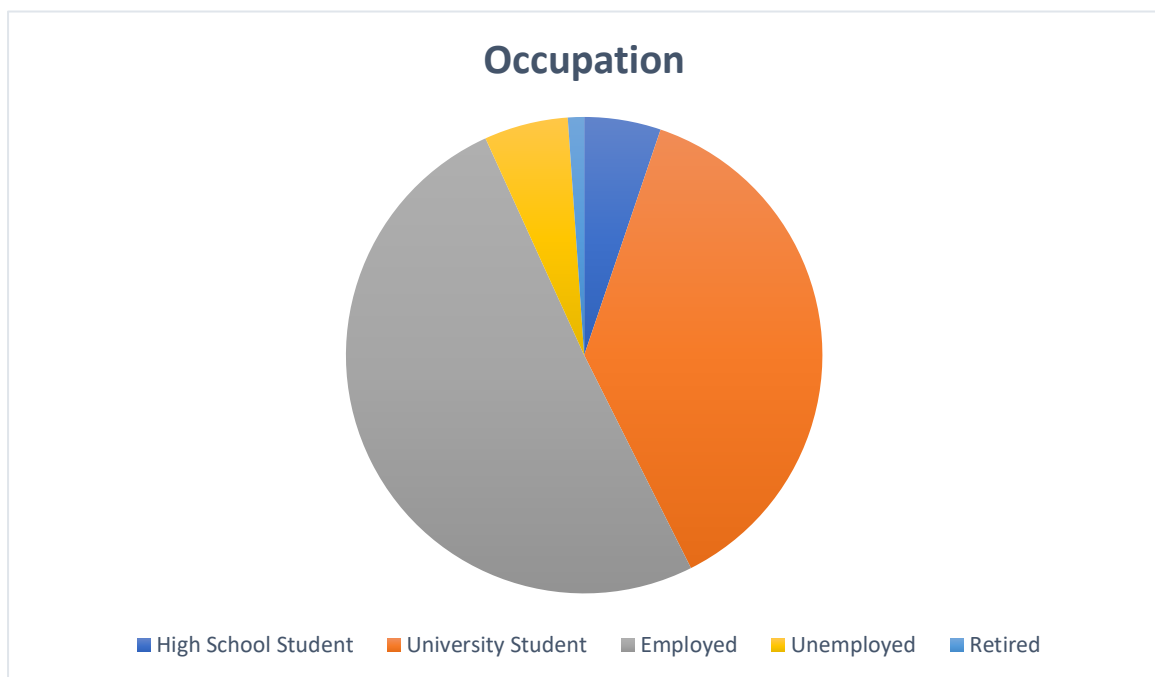
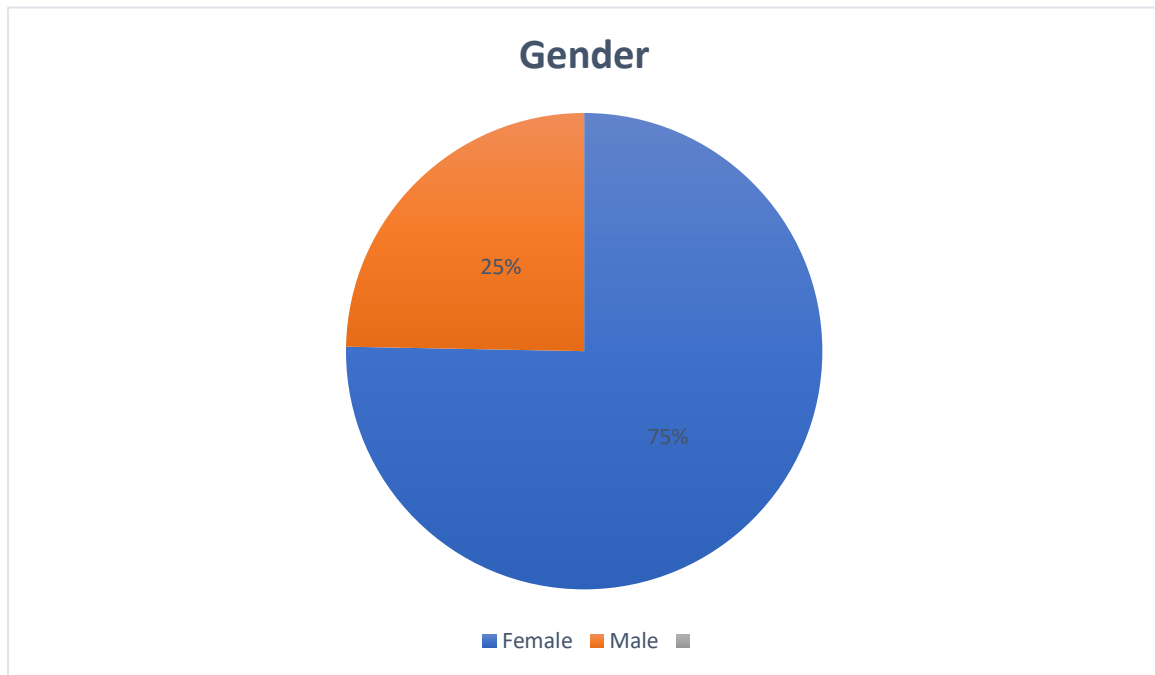
▼ Please select below... (1) ... Other (195)

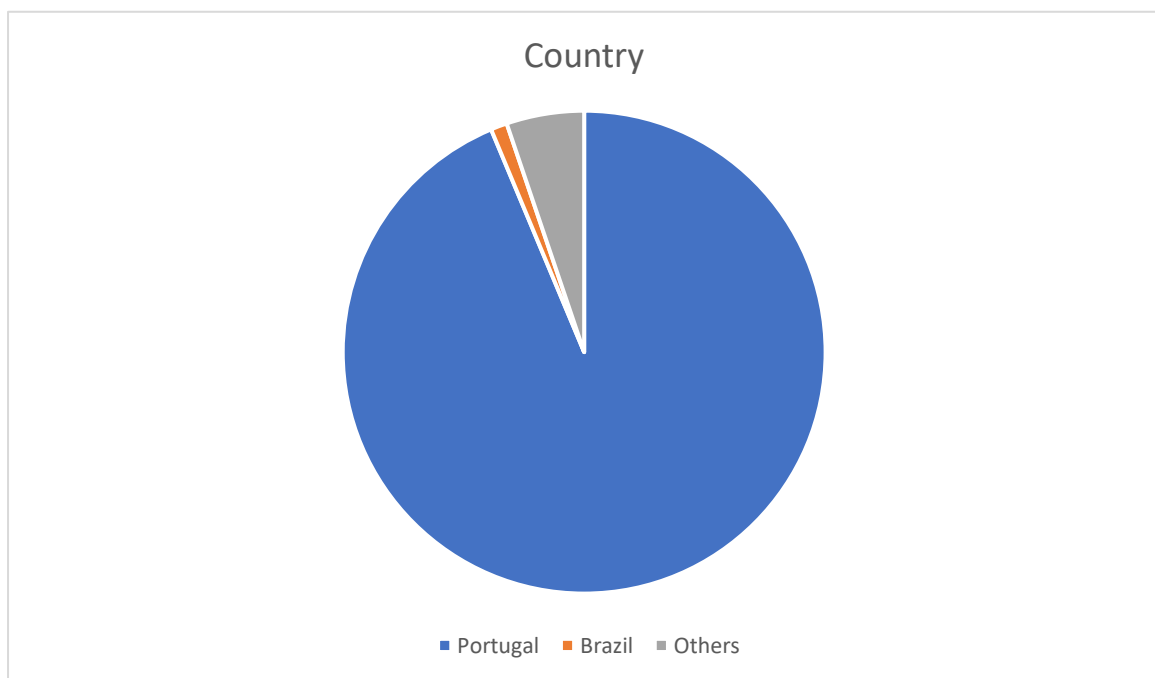
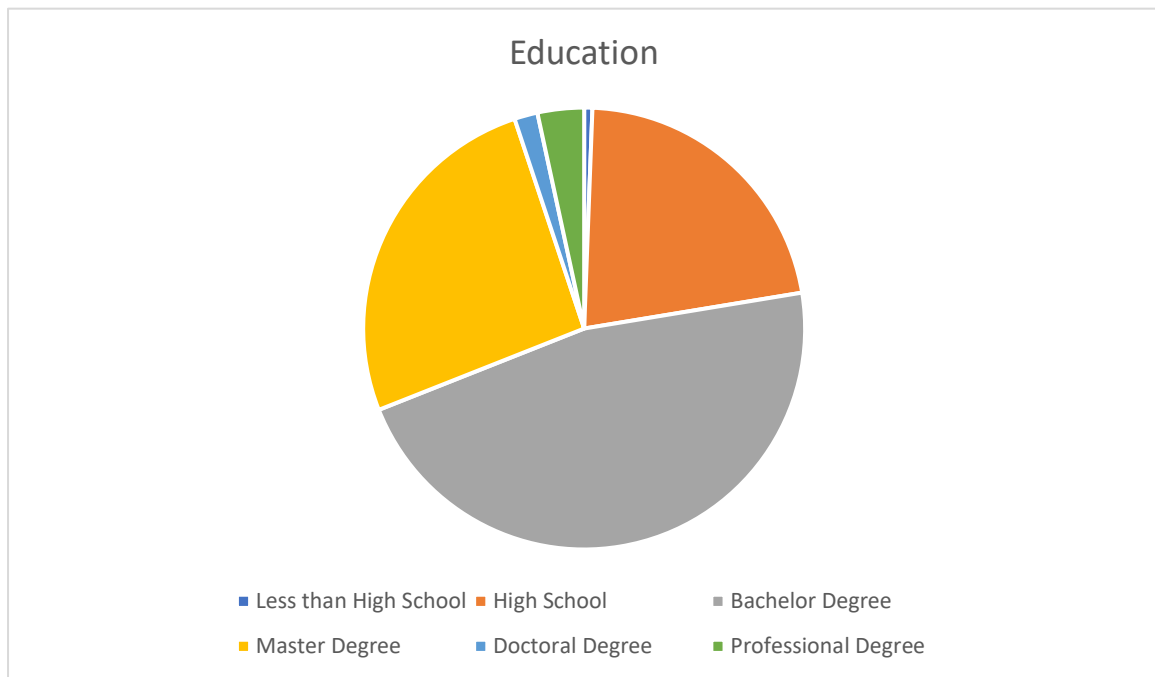
**Q18 What is your current personal annual income in Euros?**

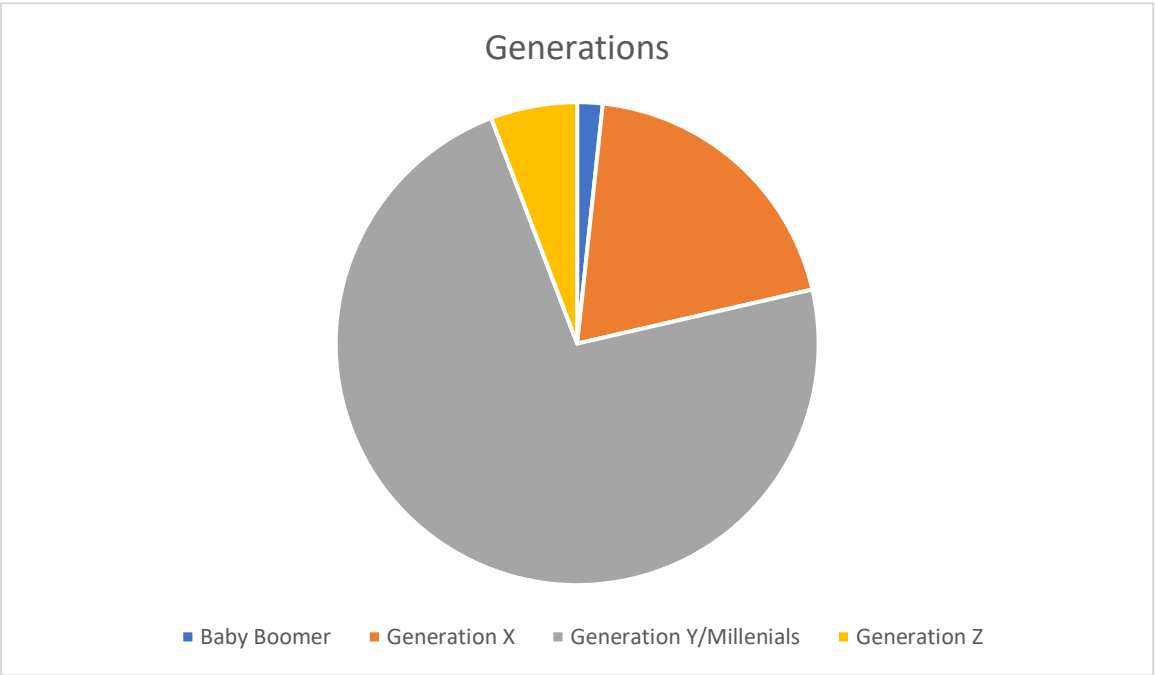
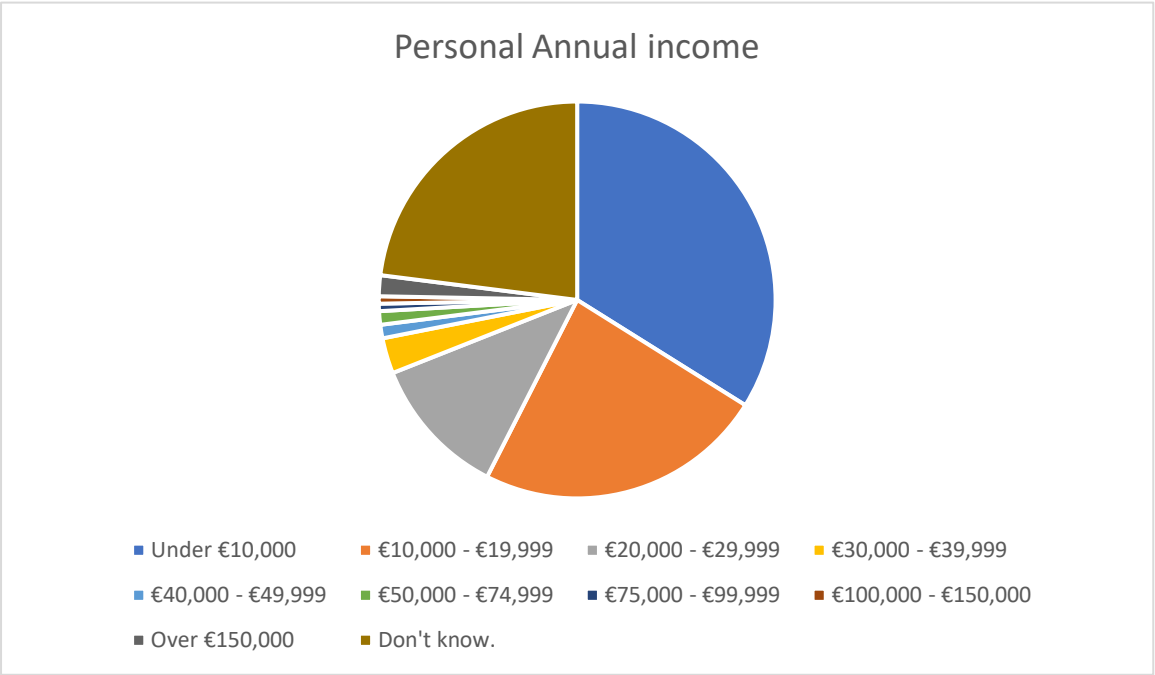
- ☐ Under €10,000 (1)
- ☐ €10,000 - €19,999 (2)
- ☐ €20,000 - €29,999 (3)
- ☐ €30,000 - €39,999 (4)
- ☐ €40,000 - €49,999 (5)
- ☐ €50,000 - €74,999 (6)
- ☐ €75,000 - €99,999 (7)
- ☐ €100,000 - €150,000 (8)
- ☐ Over €150,000 (9)
- ☐ Don't know. (10)

**Q19 Thank you for your participation! Please do not discuss the nature of the study with any other participants, as it may bias future results. Please click on the button below to end the study.**

### Appendix 3: Sample Characteristics







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